



DUKE ENERGY CORPORATION

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**VIA OVERNIGHT MAIL**

April 18, 2011

Mr. Jeff Derouen  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, Kentucky 40602-0615

RECEIVED

APR 19 2011

PUBLIC SERVICE  
COMMISSION

Re: Case No. 2010-00151

In the Matter of the Application of Duke Energy Kentucky, Inc. for a Certificate of Public Convenience and Necessity to Construct Gas Distribution Facilities within its Service Territory

Dear Mr. Derouen:

Enclosed please find an original and twelve copies of the Report on 2010 Construction Costs for Accelerated Main Replacement Program of Duke Energy Kentucky, Inc. in the above-referenced case.

Please date stamp and return the two extra copies of the Report in the enclosed envelope.

Feel free to contact me should you have any questions.

Sincerely,

Kristen Cocanougher

cc: Hon. Larry Cook (w/enclosure)

**COMMONWEALTH OF KENTUCKY**

**BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:

APPLICATION OF DUKE ENERGY KENTUCKY, INC. )  
FOR A CERTIFICATE OF PUBLIC CONVENIENCE )  
AND NECESSITY TO CONSTRUCT GAS )  
DISTRIBUTION FACILITIES WITHIN ITS ) CASE NO. 2010-151  
SERVICE TERRITORY )

**DUKE ENERGY KENTUCKY, INC.'S  
REPORT ON 2010 CONSTRUCTION COSTS  
FOR ACCELERATED MAIN REPLACEMENT PROGRAM**

Pursuant to KRS 278.020, 807 KAR 5:001, Sections 8 and 9, and the Commission's Order dated August 11, 2010 in this proceeding, Duke Energy Kentucky (Duke Energy Kentucky) respectfully states as follows:

1. The Commission's August 11, 2010 Order granted a certificate of Public Convenience and Necessity for Duke Energy Kentucky to add \$8,358,924 to its gas plant for its 2010 Accelerated Main Replacement Program (AMRP). The Commission's Order also granted Duke Energy Kentucky a deviation to exceed this amount by up to 20%. Finally, the Commission's Order required Duke Energy Kentucky to file with the Commission the actual costs of the construction performed in 2010 in its fourth quarter progress report. This report was filed with the Commission on January 25, 2011. In addition, Duke Energy Kentucky is filing this Report with the Commission which contains the actual construction costs incurred during 2010.

2. Duke Energy Kentucky reports that the actual construction costs for new gas plant-in-service added through the AMRP in 2010 was \$9,730,156. This amount is under by 16.4% the \$8,358,924 amount approved in the Commission's Order; however, this amount is within the deviation granted in the Commission's Order, which allowed Duke Energy Kentucky to

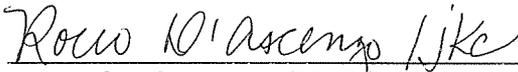
exceed the \$8,358,924 limit by up to 20%.

3. Attachment A is a report listing: (1) the estimated amount for each project in Duke Energy Kentucky's 2010 AMRP construction program; (2) the actual amount added to gas plant-in-service through the AMRP program in 2010 for each type of project; and (3) the reason for any variance.

WHEREFORE, Duke Energy Kentucky respectfully requests that the Commission: (1) accept this report on actual construction costs for new gas plant-in-service added through the AMRP program in 2010; and (2) enter an Order closing this proceeding.

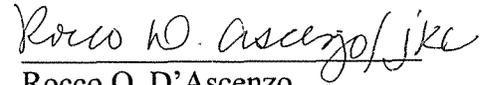
Respectfully submitted,

DUKE ENERGY KENTUCKY, INC.

  
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**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing filing was served on the following via overnight mail this 18 day of April, 2011:

  
Rocco O. D'Ascenzo

Hon. Larry Cook  
Office of the Attorney General  
Utility Intervention and Rate Division  
1024 Capital Center Drive  
Frankfort, Kentucky 40601

**Duke Energy Kentucky**  
**2010 AMRP Construction Costs**  
**Comparison of Estimated and Actual Costs**

**Attachment A**

	<u>Estimated Costs (1)</u>	<u>Actual Costs (2)</u>	<u>Difference</u>	<u>Variance Explanation (3)</u>
<b><u>Module Jobs</u></b>				
Module 377	857,078	1,098,924	241,846	
Module 602	1,714,946	2,072,054	357,108	
Module 604	1,199,928	1,371,300	171,372	
Module 616	66,000	52,706	(13,294)	
Module 483	220,000	250,055	30,055	
Module 617	-	483,455	483,455	
Module 618	-	556,085	556,085	
Module 619	-	361,984	361,984	
Module 620	-	541,702	541,702	
Module 628	-	784,470	784,470	
Modules	<u>2,224,621</u>	<u>0</u>	<u>(2,224,621)</u>	
	6,282,573	7,572,735	1,290,162	
<b><u>CIMOS Jobs</u></b>				
Projected (4)	-	-	-	
	-	-	-	
<b><u>Street Improvement Jobs</u></b>				
Madison Ave	89,888	175,118	85,230	
12th St	<u>886,464</u>	<u>1,053,035</u>	<u>166,571</u>	
	976,351	1,228,153	251,801	
2009 Carry-over	<u>1,100,000</u>	<u>929,268</u>	<u>(170,732)</u>	
Total for 2010	<u>8,358,924</u>	<u>9,730,156</u>	<u>1,371,231</u>	

Notes:

- (1) Includes contractor labor, materials, company labor, other and loadings.
- (2) Actual costs through December 31, 2010.
- (3) See 2010 Kentucky Variance Explanations.
- (4) Specific jobs were not known at the time the projection was made.

## 2010 Kentucky Variance Explanations

### Module 377

This project variance is due to unanticipated pavement conditions. Additional asphalt and concrete restoration work was required due to the deteriorated condition of the pavement that failed beyond the trench area during excavation, degraded concrete curb that required replacement after excavation, and deteriorated areas of sidewalk where blocks adjacent to the excavated area failed and required replacement. In addition, a large amount of sewer deposit removal was necessary to enable an adequate sewer television inspection in areas where gas mains or services were installed using trenchless technology. These items were not contemplated at the time the work order was written.

### Module 602

This project variance is due to a change in permit requirements. The City of Ft. Thomas required additional asphalt grinding and paving work on seven of the streets. This item was not contemplated at the time the work order was written.

### Module 604

This project variance is due to a change in permit requirements. The City of Newport required additional asphalt grinding and paving work for four streets. This item was not contemplated at the time the work order was written.

### Module 616

This project variance is due to better than anticipated field conditions. This item was not contemplated at the time the work order was written.

### Module 483

This project variance is due to unanticipated field conditions requiring the installation of additional gas main and restoration. This item was not contemplated at the time the work order was written.

## Street Improvement Projects

### 12<sup>th</sup> Street Covington

This project was a Kentucky Department of Transportation (KDOT) Street Improvement Project and the variance is due to unanticipated field conditions. Street Car tracks were encountered and unanticipated utilities. This resulted in the main being installed in a more difficult corridor than was anticipated. In addition, KDOT changed the permit to

require the tie-ins to be completed at night. These items were not contemplated at the time the work order was written.

#### Madison Ave

This project variance is due to unanticipated field conditions and a change in permit requirements causing additional restoration and night work. These items were not contemplated at the time the work order was written.

#### Module 617, 618, 619, 620 and 628

These projects were not identified prior to the original filing and were submitted as a lump sum. These modules will be submitted together. These project variances are due to unanticipated field conditions and a change in the permit requirements. Module 617 provided more favorable field conditions requiring the installation of less gas main and less camera work on the sewers. Module 618 provided more favorable field conditions requiring less labor to install the facilities. Module 619 required less material than was anticipated. Module 620 required additional restoration due to the soil conditions encountered during construction. Module 628 provided for more favorable field conditions requiring the excavation of less rock and installation of less CLSM. In addition, less camera work for sewers was required than anticipated. These items were not contemplated at the time the work order was written.

#### 2009 Carry-over

All the projects in 2009 under this category were bid and installed by a unit cost price structure. The units installed in 2009 had other units associated with the project that were installed and paid in 2010. The 2009 actual quantities installed to be carried over in 2010 were less than anticipated.